

CORPORATE SOCIAL REPORTING IN DEVELOPING COUNTRIES: THE CASE OF ARGENTINA

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1. INTRODUCTION

“Corporate Social Reporting” (CSR) provides information regarding Corporate Social Responsibility for different parties involved in the companies’ operation (Gray, Kouhy, & Lavers, 1995). These groups comprise of user-oriented groups (interested party group and normative group) and producers (company group).

The first user-oriented group is the interested party group, includes those who are most interested in the reports’ findings, namely the shareholders (Park, 2003) and the consumers (Adebayo, 2000). The second, the normative group, consists of those who write the laws, including the government and accounting associates. Finally, the company group, specifically the producers are those who prepared the reports.

Some studies that have been conducted on developed countries (Adams, Hill, & Roberts, 1995; O’ Dwyer, 2002; Solomon & Lewis, 2002) discuss incentives that motivate companies to disclose their information. However, few papers have discussed this issue in the context of the developing world (Belal, 2000; Kuasirukun & Sherer, 2004; Ite, 2004; Pedwell, 2004). CSR incentives are different in developed countries from those in developing countries.

For the interested party group and the normative group, the most important motive for corporate social disclosure is the improvement of the company’s corporate image (Solomon & Lewis, 2002). For the company group the main motive for corporate social disclosure is the acknowledgement of social responsibility (Solomon & Lewis, 2002). Both in developed and developing countries, the interested party group and the normative group consider their reason as much more altruistic than the opinion of the company group.

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The criticism of CSR argues for an increase of corporate social responsibility as there is an amount of disclosure (Solomon & Lewis, 2002). It is also criticized that organizations often have good intentions as far as sustainability matters are concerned. However, they cannot transform those intentions into actions and results (Moneva, Archel & Correa, 2006). Such is the case of Argentinean companies (Puppim de Oliveira & Gardetti, 2006).

In the following section CSR in Argentina is illustrated. The objectives and research method are then presented. Thirdly the report on the preliminary empirical findings concerning the practice of CSR in Argentina is covered. The paper ends with a summary and preliminary conclusions.

2. CSR IN ARGENTINA

During the past few years the quantity and quality of CSR published by companies from different countries has improved and increased (Moneva & Cuellar, 2001, Gray & Britton, 2001), but developments in CSR in Latin America, as in other developing countries, are still at an early stage. Most CSR in Latin America is concentrated in Brazil, Chile, Argentina and Mexico (Haslam, 2004; Corporate Register, 2007).

In 2000 Argentina promulgated Law 25.877 regarding Social Balance. This law forces companies with more than 300 workers to publish an annual report on their social impact. This law has been applied by few companies because the government lacks the incentive to enforce regulations.

The main participants of corporate social responsibility in Latin America, the private sector institutions, take advantage of the weak impetus from the government. While pressure groups monitor the impact companies have on society, they are still not capable of forcing them to comply.

Argentinean citizens agreed that the organizations should be committed against participate in bribing acts and/or corruption and

should comply with all of their tax and legal obligations (Valle, 1999).

Having a negative image regarding a company's social responsibility of certain organizations may influence consumers' decisions. In Argentina, that is the case of Esso (Exxon), which is viewed negatively by the consumers because of its influence on climate change; this negative image that the consumers have also spreads to the rest of the users (Gueterbock, 2004).

Additionally, as regards the corporations themselves, there is a lack of interest in meeting regulations (Shiraz, 2005). Corporations appear to have good intentions declaring their social responsibility and that they are well disposed to invest in education, leadership, food, infrastructure and health (Fundacion Banco Frances, 2004). However there is evidence of corruption in many companies. For example, many companies fail to pay their taxes. Molinos, an Argentina food producer, disclosed in its 2002 Annual Report accusations regarding its competitors.

3. CSR IN ARGENTINA: OBJECTIVES AND RESEARCH METHODS

a) Objectives

This is an exploratory and descriptive study of the nature of CSR in Argentina. It includes an approach to the scene, the actors, the dynamics and the characteristics.

b) Firms included

As shown in Table II included in the Appendix, this study includes Argentinean companies that issue sustainability in the Corporate Register database. Corporate Register database includes most of 13.500 sustainability reports by different countries.

c) The method

First, the following factors were determined:

- participation in the stock market;
- location of headquarters;
- status as a subsidiary;
- international affiliations and/or adherences

Next, characteristics of issuance or stability report, include its external assurance and the production cycle, were studied. Furthermore, the sustainability reports were summarizing as were, in some cases complementary annual reports.

While report titles vary, 30% of Latin-American companies (Brazil, Chile, Mexico and Argentina) follow the GRI guidelines when compiling their sustainability report (Corporate Register, 2007).

Less frequently, companies use AA1000 guidelines. Telefonica's head office certifies its use AA1000 in its 2005 sustainability report.

The role of international organizations such as the UNDP is particularly interesting as it has been active in signing up companies to the UN Global Compact in Argentina, Chile, Colombia and Venezuela (Haslam, 2004). In Argentina, Rio de la Plata Bank and Telefonica of Argentina among others have adhered.

ISO certificates are regular in a lot of Latin American companies. Telefonica of Argentina has obtained then since 2000 ISO certificates of series 9.000 and 14.000,

4. CSR IN ARGENTINA: THE PRACTICE

Though corporations in developing countries generally fail to adhere to global CSR standards, sometimes even to report their activities it's crucial to identify which factors effectively will lead to CSR.

It's important to note that one cannot pinpoint just one incentive. Furthermore whereas different incentives can be examined individually, one must bear in mind they are often interrelated (Di Maggio & Powell, 1983; O'Dwyer, 2002; Solomon & Lewis, 2000).

The following incentives have been adapted from Solomon & Lewis' study of Britain (Solomon & Lewis, 2000). Of the incentives that they use in their study, three are of particular relevance here, they are:

- pressure from multinational companies;
- pressure from companies in the same industry;
- compliance with global standard and initiatives for exportations

a) Pressure from multinational companies

Multinational companies, in order to comply with global social and environmental policies require CSR from their subsidiaries.

In the case of multinational companies, the organizations establish global social and environmental policies (Snider, Hill, & Martin, 2003) that may constitute pre-formal law. That is the case in Argentina of Telefonica, Repsol YPF or Nobleza Piccardo that have CSR framed in head office guidelines.

Some studies examine the reporting practices of a set number of corporations from both developed and developing countries in order to determine whether a global hegemony regarding corporate social and environmental reporting exists (Pedwell, 2004). Although users

demand Argentinean organizations apply the same ethic regulations wherever they operate (Valle, 1999), in some cases multinational companies have global standards and external assurance application in their head offices CSR that they do not use in their Argentinean subsidiary. Telefonica (Spain) applies GRI guidelines in its head office and subsidiaries sustainability reports 2005, but the level of application of the GRI standards is higher, in its head office than in its subsidiaries.

In Latin America, there is also a low tendency for obtaining external assurances of sustainability reports, with only 15% of the reports currently having been verified (Corporate Register, 2007). External assurance can be total or partial. In this second case it could be about data included in annual reports or about environmental procedures. For example, Telefonica Argentina exposes, in its 2005 sustainability report, which has verified more than 70% of the GRI indicators. Although the indicators based on the GRI, those included in the report are the ones related to the indirect use of energy.

One of the main difficulties in evaluating CSR of subsidiary companies located in developing countries is the excessive amount of reports and pages that need to be analyzed in order to obtain CSR global information. In the case of Telefonica the analysis of the 2005 CSR situation in Argentina the analysis of more than 1000 pages of financial statements requires and sustainability reports of belonging to the subsidiary and head office:

Table I

<i>Report</i>	<i>Pages</i>
Argentina	
Financial Statements 05	140
Sustainability Report 05	200
Spain	

Financial Statements 05	300
Sustainability Report 05	350
Corporative Governement 05	60
Total	1.050

Telefonica group issue sustainability reports from 2002 with a length of approximately 350 pages; it elaborates sustainability reports for its subsidiaries in Argentina, Chile, Brazil and Peru. Telefonica Argentina elaborates since 2004 sustainability reports of around 190 pages average, which widely exceeds the average of that kind of reports in Argentina included in Corporate Register (80 pages).

CSR is considerably higher among local subsidiaries of multinational companies than companies with Argentinean headquarters.

Generally, the multinational companies establish global social and environmental policies that force to their local subsidiaries to report back to headquarters.

Some cases demonstrate that multinational companies don't comply with the same level the standards in developing countries subsidiaries.

One of the main difficulties in evaluating CSR of subsidiary companies located in developing countries is the necessity to analyze the sustainability reports of different countries (headquarter and subsidiaries) in order to obtain valid information regarding to its social and environmental global attitude.

b) Pressure from companies in the same industry

Industrial sectors with larger social and environmental impacts like oil, gas and energy have incentives to report their corporate social responsibility. In Latin-America the most active sectors are tobacco

and mining, followed by construction and forestry. In Argentina, sectors with most social and environmental reporting are electricity and telecommunications services, followed by tobacco, mining, oil & gas and chemicals (Corporate Register, 2007).

The “isomorphic process” produces a sort of imitation among companies regarding CSR. Some studies stressed the importance of a particular pressure: the one that competitors have on the company. Di Maggio & Powell (1983) provides a framework to study the causes that drive companies to issue corporate social reporting: he talks about the isomorphic process, which produces a sort of imitation among companies. This sort of imitation has been observed in CSR.

Companies’ sectors have a particular kind of regulation and a voluntary presentation regarding CSR. If a company publishes social and environmental information in its financial statements or in a sustainability report, it may induce the other companies to imitate it; however they wouldn’t recognize this as incentive (Solomon & Lewis, 2002).

In the Argentinean context of 1993 we can find an isomorphism situation regarding social and environmental information included in the annual reports: during that year the oil industry YPF joined the North American stock market and, in its financial reports published in Argentina, they started to include environmental information. In addition to this, from 1995 on, some oil companies that are quoted on the stock exchange in Buenos Aires include the same information in their financial statements.

c) Compliance with global standard and initiatives for exportations

There is a strong incentive determined by the attempt to access different markets so that companies can accomplish some global standards and initiatives if they wish to export their goods.

One of the criticisms of CSR is that “In the early years of the reporting, most organizations measured and reported on impacts based on the traditional boundary criteria used in financial reporting” (Moneva, Archel & Correa, 2006). In addition to this general criticism, in the developing countries the information of financial reporting of the sustainability reports does not have the same quality as the one included in the annual reports.

Sustainability reports should include not only financial information, but which financial information should be included if the sustainability report does not include certain financial information.

Botnia, a company in the pulp mill industry based in Finland, is undergoing a dispute involving the construction of its pulp mills in Uruguay. A whole reading of the annual report and the sustainability report² is necessary in order to obtain better information.

In Botnia's 2005 sustainability report, conducted under the GRI guidelines, there is an indicator that environmental permits had been violated. By reading Botnia's 2005 annual report it may be obtained the quantification of the environmental liabilities that rises to 1.359.000 euros.

In the 2004 and 2005 sustainability reports of Telefonica Argentina, there is no mention of issues related with contingencies and environmental passives; neither in the ones of Telefonica head office. In 2005 annual reports Telefonica of Argentina includes forecasts for contingencies that society faces by different procedures and claims, but it does not mention if any of them are related to environmental issues.

² Both of the head office as the Uruguayan subsidiary is still not obliged to report.

5. SUMMARY AND PRELIMINARY CONCLUSION

Adapting Solomon & Lewis (2002) incentives to the Argentinean context and considering the low accomplishment of the law and the scarce regulation, we determine three predominant incentives: pressure from multinational companies, pressure from companies in the same industry and to comply with global standard and initiatives for exportations.

In Argentina, CSR is considerably higher among local subsidiaries of multinational companies compared with companies with Argentinean headquarters because in the case of multinational companies, the organizations establish global social and environmental policies (Snider, Hill, & Martin, 2003) that may constitute pre-formal law (Buhmann, 2006). One of the main difficulties in evaluating CSR of subsidiary companies located in developing countries is the excessive amount of reports and pages that should be analyzed in order to obtain CSR global information.

Industry sectors with larger social and environmental impacts have incentives for CSR; sectors with CSR in Argentina are among other electricity and telecommunications services, followed by tobacco, mining, oil & gas and chemicals. Companies sectors that coexist in a defined market are usually submitted to a particular kind of regulation, and simultaneously, each company can voluntarily create a presentation model that pressures its competitor.

There is a strong incentive determined by the attempt to access different markets so that companies should accomplish some global standards and initiatives, like GRI Guidelines, AA1000, Global Compact Principles or ISO Certifications, if they wish to place their exports. In addition, there is a slow tendency for obtaining external assurance of sustainability reports.

One of the criticisms to CSR is that "In the early years of the reporting, most organizations measured and reported on impacts based on the traditional boundary criteria used in financial reporting." (Moneva, Archel, Correa, 2006). In addition to this general criticism, in the developing countries the information of

financial reporting of the sustainability reports does not have the same quality of the one included in the annual reports.

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**Appendix / Table II: Argentinean Corporate Social Reporting in Corporate Register
(Alphabetical order)**

Company	Public Co.?	Last Year	Pages	Sector	Affiliation /Adherences	External Assurance	Headquarter /subsidiary	Language	Production cycle
American Express Argentina	No	05	55	Financial services	GRI 2002 CI	No	Subsidiary	Spanish	First
Banco Río de la Plata	Yes	05	87	Banks	Global Compact	No	Headquarter	Spanish / English	Second
Nobleza Piccardo ³	No	04-05	61	Tobacco	GRI 2002 CI SA 8000	Yes, BVCQ	Subsidiary	English	Third
Central Dock Sud	No	05	75	Electricity	GRI 2002 CI	Yes, IAVN ⁴	Headquarter	Spanish	Second
Centre for Human Rights and Environment	No	03	34	Government, Authorities & Agencies	GRI 2002 CI	No	Headquarter	English	Second
Du Pont	No	03	26	Chemicals	GRI	No	Subsidiary	Spanish	First

³ British American Tobacco Argentina

⁴ “Instituto Argentino de Verificación y Normalización”

Argentina									
Grupo Sancor Seguros	No	05	79	Insurance	GRI 2002 IA AA 1000	Yes, BVCQ	Headquarter	Spanish	First
Minera Alumbra	No	05	60	Mining		No	Subsidiary	Spanish / English	Second
Nextel Communication	No	98-04	59	Telecommuni cation services		No	Subsidiary	Spanish / English	First
Pecom Energia ⁵	No	01	46	Electricity		No	Subsidiary	English	First
Shell Cia. Arg. de Petroleo		04-05	35	Oil & Gas		No	Subsidiary	Spanish	Fourth
Telefonica de Argentina	Yes	04	194	Telecommuni cation services	ISO Global Compact	Yes	Subsidiary	Spanish	Second
Toyota Argentina	No	04	119	Automobile & Parts		Yes environmen tal indicators	Subsidiary	Spanish / English	Second

⁵ Now Petrobras

